

Message Text

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12

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 INT-05 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-03 SIL-01 OMB-01 DODE-00 PM-03 H-02

L-02 NSC-05 PA-02 PRS-01 SS-15 USIA-15 CEA-01 STR-04

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6757

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E.O. 11652: N/A

TAGS: EMIN, VE

SUBJECT: VENEZUELAN CABINET APPROVES IRON ORE NATIONALIZATION
MEASURES.

1. PRESIDENTIAL SECRETARY, RAMON ESCOVAR SALOM, ANNOUNCED NOVEMBER 26 THAT THE COUNCIL OF MINISTERS HAD APPROVED ALL THE MEASURES WHICH WILL BE APPLICABLE IN THE NATIONALIZATION OF THE IRON ORE INDUSTRY. HE SAID THAT THESE DETAILS WILL BE ANNOUNCED BY PRESIDENT PEREZ IN A SPECIAL CEREMONY, PROBABLY TO OCCUR IN THE FIRST FEW DAYS OF DECEMBER.

2. VENEZUELA GUAYANA CORPORATION (CVG) PRESIDENT ARGENIS GAMBOA ANNOUNCED AT THE SAME TIME THAT THE IRON ORE INDUSTRY WILL BE NATIONALIZED, STARTING JANUARY 1, 1975. GAMBOA SAID THAT COMPENSATION WILL BE PAID TO ORINOCO MINING COMPANY (U.S. STEEL), TOTALING BS 360 MILLION, AND TO IRON MINES OF VENEZUELA (BETHELEM STEEL) BS 76 MILLION. COMPENSATION WILL BE BASED ON THE ACCOUNTING BOOK VALUE OF THE INVESTORS' PERMANENT FACILITIES.

3. CVG PRESIDENT GAMBOA WAS QUOTED AS SAYING THAT, "WE ARE NOT
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ENTIRELY READY TO MANAGE THE IRON INDUSTRY IMMEDIATELY...

WE NEED A TRANSITION PERIOD OF, AT MOST, A YEAR DURING WHICH
TIME THE EXISTING ENTERPRISES WILL CONTINUE TO OPERATE."
DURING THE ONE YEAR TRANSITION PERIOD NEW CONTRACTS WILL BE
DRAWN UP AND NEW ADMINISTRATIVE PROCEDURES WILL BE INSTITUTED
IN ORDER TO REPLACE THE PRESENT MANAGEMENT, ACCORDING
TO GAMBOA.
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